

UNCLAS SECTION 01 OF 03 ABUJA 000284

SIPDIS

FCC FOR BOATENG,

E.O. 12958: N/A

TAGS: EAID ECPS ECON PGOV NI

SUBJECT: NIGERIA: TELECOMMUNICATIONS EXPANSION A SUCCESS  
STORY; USG CAN TAKE SOME CREDIT

¶1. Summary: While there is still a long way to go to bridge the telecommunications divide between Nigeria and the developed world -- or even between Nigeria and the rest of Africa -- the Nigerian Communications Commission (NCC) has made a promising start. Quiet support from USAID/Nigeria, the Leland Initiative and the Federal Communications Commission has helped the NCC create a pro-competition and more transparent regulatory environment, raise more than USD 1 billion for the government budget, triple teledensity, develop a strategy for reaching rural agricultural communities and better harmonize a regional telecommunications policy harmonization across ECOWAS member-states. This Global Development Alliance centered on the leadership role of the USAID-supported Nigerian Communications Commission (NCC). The USG can claim some of the credit for making telecommunications the fastest growing business sector in Nigeria, and after petroleum, the sector with the greatest foreign investment. End Summary.

Poor Communications Plague Nigerian Economy and Development

---

¶2. Low-cost reliable telecommunications services are accelerating sustainable development around the world. The weakness of the telecom sector has been a major obstacle in the way of economic and social development in Nigeria. When U.S. development assistance programs returned to Nigeria in 1999, installed telephone lines for the country's 120 million people numbered 700,000 of which only 450,000 lines were estimated to work. The telecommunications sector suffered from gross mismanagement by the state-owned monopoly carrier, NITEL; service delivery was poor and corruption endemic. NITEL had invested in expensive capital projects which failed to expand network capabilities, increased operating costs, and proved incapable of collecting its bills. The Abubakar transitional government of 1998-99 decreed NITEL would be subject to competition in the telecom sector and the Obasanjo government (1999 to date) accelerated telecom liberalization. The NCC, though hampered by a lack of regulatory authority over NITEL, has emerged as an effective regulatory body by regulating the new competition. It has won the confidence of the local and international business community and has begun to protect consumer interests.

NCC Goes from Potemkin Agency to Promote Telecom Growth

---

¶3. The United States, through USAID, has played an advisory role with the NCC and other telecom entities as Nigeria works toward effective regulation of the telecommunications sector. Thanks to that assistance, the NCC has established clear objectives: a) increased teledensity (telephones per person); b) increased geographic spread of Nigeria's public and private telephone network; and c) enhanced telecommunications access in Nigeria's agricultural communities.

¶4. The Government of Nigeria (GON) established the Nigerian Communications Commission (NCC) as the telecommunications regulatory authority in 1992. This was one of the reforms that then Head of State Ibrahim Babangida instituted as part of his putative transition to democracy. While the establishment of the NCC should have signaled the liberalization of the communications industry, it in fact made almost no impact. The NCC was understaffed, without any authority over NITEL, dominated by a Ministry of Communications rife with corruption. Much of the NCC's authority in licensing and control of the broadcast spectrum was contested by the Nigerian Broadcasting Commission (NBC). Furthermore, the promised award of broadcast and frequency licenses to private sector companies was delayed throughout the Abacha period (1993-1998).

**15.** In 1998, transitional Head of State Abdulsalami Abubakar issued a decree that revoked those legislative obstacles to telecommunications competition. He also released the first (and to date largest) group of private television and radio broadcast licenses. The newly elected Obasanjo government followed up on these earlier reforms and by early 2000, targeted improvements in telecommunications as a major "democracy dividend." A critical decision made the NCC the preeminent agency for telecommunications and Obasanjo lured Engineer Ernest Ndukwe away from the private sector to become the NCC's Executive Vice Chairman and Chief Executive.

#### NCC Objectives and Accomplishments

---

**16.** The major objectives of the NCC are to:

- Create a regulatory environment for the supply of telecommunication services and facilities and the promotion of fair competition and efficient market conduct;
- Facilitate entry into markets for telecommunication services and facilities of persons and organizations wishing to supply such services;
- Protect licensees and the public from unfair conduct of service providers with regard to service quality and payment of tariffs;
- Promote the development of the telecommunication sector of the Nigerian economy; and,
- Establish technical standards and promote the development of Nigerian telecommunication capabilities, industries, and skills.

**17.** NCC achievements to date are:

- The GSM cellular auction in January 2001, described by observers as the best-run in Africa, raised USD 855 million for the government budget and licensed 3 national digital cellular operators;
- Fixed wireless local loop licenses were auctioned for all 36 states and the Federal Capital Territory (Abuja), raising \$11.3 million;
- A second national operator (Globacom, Limited) was licensed in August 2002, raising \$200 million;
- Competition was increased by licensing 29 private networks;
- Twenty-seven licenses for the provision and operation of community telecommunications were issued;
- Two licenses for the provision and operation of national long distance communication were issued;
- One license for global mobile personal communications by satellite was issued;
- Establishment of the consumer affairs bureau which increased protection of consumer interests.

#### Telecommunication Reform as a Democracy Dividend

---

**18.** Changes in the telecom sector have been dramatic. NCC actions have made possible increased cellular coverage from 25,000 lines to over 1.2 million within the first year, with a corresponding increase in mobile teledensity from 0.04 telephone lines per hundred persons to 1.7 lines per hundred persons. This is a more than forty-fold increase in the number of lines. NCC actions have also generated more than US \$70 million a month in revenue for the cellular companies. Another sign of the NCC's growing success is the GON decision to transfer management of commercial frequencies from the Ministry of Communications to NCC.

**19.** Nonetheless, the NCC has had its failures. Unable to regulate NITEL (except in GSM cellular communications for which NITEL had to apply to the NCC to get a license), the NCC has not resolved interconnection problems of cost and inoperability. This has compelled many users, particularly business people to have with them at all times a NITEL land line, an Econet or MTN GSM phone, and a fixed wireless phone as back-up to the unreliable NITEL land line. NITEL has limited interconnection for ECONET and MTN to 10,000 lines--though some complain that the number is really lower--and has the highest interconnection costs in the world. (These are reported as high as 65 Naira per minute though a final rate is yet to be agreed between NITEL and GSM providers.) It is also generally believed that NITEL favors its own GSM service for connection to landlines, and

in fact uses this as a major selling point. The expense of GSM tariffs has meant most Nigerians cannot afford them, and many who buy the line and handset must sparingly use the pay-as-you-go service. GSM service is still limited to major urban centers although as prices come down, the service is becoming increasingly affordable to lower-income users.

#### USG Projects in Support of Nigerian Telecom Expansion

---

¶10. USG assistance to the NCC has been led by USAID Nigeria working through the Leland Initiative and Telecom Leadership Program, providing support through a series of capacity-building and technical assistance programs dating from the arrival of Vice Chairman Ndukwe at the NCC. Key partners in this process include the FCC, National Telecommunications Cooperative Association (NTCA), the National Association of Regulatory Utility Commissioners, the Public Service Commissions of the District of Columbia and Oregon and the Center to Bridge the Digital Divide at Washington State University. The Trade and Development Agency (TDA) has also provided funds for a spectrum survey and analysis of secondary wired backbones and the Embassy's Public Affairs Section, using Education for Development and Democracy Initiative (EDDI) funds, has established an office (the Nigerian-American Information Initiative- NAI) to publicize bilateral cooperation.

¶11. USAID projects included policy workshops at Afrinet 2000 and 2002 on licensing, interconnection, e-commerce and rural access; consultations between key FCC leadership and senior NCC staff; support for NCTA planning for community-based telecommunications licensing; training in the U.S. and Nigeria on pro-competition policy for NCC commissioners and senior staff; technical assistance in drafting a model code of regulations; and staff training in consumer affairs, licensing, policy and planning, and spectrum pricing.

¶12. USG assistance projects have produced concrete results. The NCC Consumer Bureau, modeled on that of the FCC, is functional and providing the regulatory body with for improving service. As it becomes more effective, the Consumer Bureau should increase transparency and enhance consumer protection. The NCC published and made publicly available its regulatory code, another significant step in increasing transparency and predictability for the investment climate. The USG has involved the NCC from the beginning in plans for the West African Telecommunications Regulators Association (WATRA) which was formally chartered in November 2002. The NCC will host the first Annual General Meeting in Abuja in March, 2003.

¶13. USAID plans to build on the leadership of the NCC, and will extend its engagement to additional public and private sector entities. Major new initiatives include:  
a) Effective regulation: USAID will continue its technical assistance based on requests from the NCC to strengthen the NCC's capacity for effective regulation. Priority areas are: strategic planning, market analysis, spectrum pricing, tariff principles and practices, regulatory accounting, and training for judges and legislators on legal issues related to Telecoms.  
b) African Telecoms Institute: The NCC has acquired a building and initiated plans for a state of the art facility for training using traditional and on-line distance technologies. USAID will assist the NCC to conduct a feasibility study and support to bring in non-traditional and private sector partners. USAID will also bring the NCC and other Nigerian partners into nettel@africa (the Network for Capacity Building and Knowledge Exchange). Nettel components include an extensive training program on ICT policy and regulation. Peer-to-peer exchange programs between Africa and the U.S. regulatory entities, and a research program to develop case studies that look at performance in the telecommunication sector are other elements of future assistance.  
c) Rural Access: Technical assistance will be provided through the NTCA to prepare community-based operators for licensing and identification of sources of capital, including oil companies, other industries and Nigerians living abroad. NCC plans that leverage existing Universal Service Funds to provide greater access to capital will also be supported.

¶14. Comment: The Global Development Alliance (GDA) put together for Nigerian telecommunications exemplifies the development model recently praised by Secretary of State

Powell and USAID Administrator Natsios. USG assistance to the telecommunications sector in Nigeria brings together new partners, new models and new resources to enhance the sector and its role in development. As a result non-USG resources have exceeded the financial and human resources provided by USAID and other USG agencies. Exciting new ways to bridge the digital telecommunication divide in Nigeria are now being implemented. End comment.

JETER